



INVESTIGATIVE REPORT

Cynthia V. Carrasco, Inspector General

OFFICE: INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT (IDEM)
TITLE: IDEM CONFLICT OF INTERESTS
CASE ID: 2014-09-0177
DATE: September 27, 2016

Inspector General Staff Attorney Stephanie Mullaney, after an investigation by Special Agent Mark Mitchell, reports as follows:

On September 3, 2014, the Indiana Department of Environmental Management (IDEM) contacted the Office of Inspector General (OIG) regarding an employee (the Employee) in IDEM's Office of Water Quality, Wastewater Compliance, who IDEM had terminated on August 29, 2014 for an alleged conflict of interests. In particular, IDEM reported to the OIG that the agency had received two anonymous complaints that the Employee was a partner at a company called Starburst Technology, LLC (Starburst) and that the Employee was recommending Starburst products to the various wastewater treatment plants (WWTPs) that he assisted as part of his job duties for IDEM. OIG Special Agent Mark Mitchell conducted the investigation.

The Indiana General Assembly has charged the OIG with addressing fraud, waste, abuse, and wrongdoing in agencies. IC 4-2-7-2(b). The OIG also investigates criminal activity and ethics violations by state employees. IC 4-2-7-3.

During his investigation, Special Agent Mitchell interviewed various IDEM employees and WWTP operators who interacted with the Employee in his capacity at IDEM. Special Agent Mitchell also reviewed emails, IDEM inspection reports, and other documentation.

During the investigation, the OIG learned that the Employee worked as an Operator Assistant in IDEM's Office of Water Quality, Wastewater Compliance. The Employee was one of two Operator Assistants throughout the State. As an Operator Assistant, the Employee provided operational and technical assistance to WWTP operators and facilities in small communities or municipalities regulated by IDEM. As part of the Employee's job duties, the Employee could recommend certain technologies or treatment systems that may be helpful in addressing various issues at the WWTPs.

The OIG also learned that the Employee, and later the Employee's wife (the Wife), had a partnership interest in Starburst. Starburst was a limited liability corporation that sold various wastewater treatment products, including the Starburst Mixer, the Starburst Pump, and the Hurricane Unit. The Employee and two other individuals signed a partnership contract to own and operate Starburst on May 1, 2013. Per this contract, the Employee received a salary of \$50,000 a year until he retired from IDEM, when his salary would increase to \$78,000 a year. The Employee also received 5% of the company's gross sales, to be distributed on a semi-annual basis.

In June 2013, Starburst executed another partnership contract with the Wife in the Employee's place. Emails between the Employee and Starburst's accounting firm indicate that Starburst made this change in an attempt to avoid a conflict of interest with the Employee's IDEM position. Various financial records obtained by the OIG indicate that the Wife remained on the partnership contract. Starburst tax returns for 2013 and 2014 listed the Wife as a partner, and Starburst bank records from June 2013 to August 29, 2014 show payments from Starburst to the Wife in the amount of \$82,500.10.

Although various Starburst documents listed the Wife as partner, the OIG's investigation revealed that the Employee participated in business matters while the Wife did not. The OIG found that the Employee frequently communicated with Starburst business partners and employees via email, while the OIG did not locate any emails written by or sent directly to the Wife. Moreover, none of the WWTP operators interviewed by the OIG had ever met or even heard of the Wife, but most knew of or worked directly with the Employee.

Emails and interviews with operators from various WWTPs throughout the State indicate that the Employee recommended Starburst products on at least three occasions between May 1, 2013 and August 29, 2014. The investigation revealed that the Employee recommended the technology to the operator of the WWTP in McCordsville, Indiana in May 2013; to the operator of the WWTP in Converse, Indiana, in May 2014; and to the operator of the WWTP in Waterloo, Indiana, in June 2014.

The OIG investigation revealed that the Employee recommended Starburst to the McCordsville WWTP in May 2013. In an interview with the OIG, the McCordsville Operator stated that the Employee visited the WWTP in May 2013 and recommended Starburst products to him as a way to promote efficiency at the WWTP. Emails show that, shortly after this visit, the Employee's Starburst business partner obtained the McCordsville Operator's contact information from the Employee and followed up on special pricing that the Employee offered to the Operator. Subsequent emails from the Starburst business partner contained three quotes for the installation of Starburst systems at the WWTP.

The McCordsville Operator also provided that he attended demonstrations of the Starburst products with the Employee. He believed that the Employee attended those demonstrations in his capacity as an IDEM employee. The McCordsville Operator did not know

that Employee had a financial interest in Starburst, and he did not ultimately purchase any equipment from Starburst.

The OIG investigation also found that the Employee recommended Starburst products to the Converse WWTP in May 2014. The Converse Operator, in an interview with the OIG, stated that the Employee visited the Converse WWTP in May 2014 to inquire about plant operations. The Converse Operator told the OIG that the Employee asked to walk through the plant. During the walkthrough, the Converse Operator asked the Employee if he was familiar with Starburst pumps, as the Converse Operator had previously heard about the pumps from the Employee's business partner. The Employee responded by recommending the pumps, and he also provided that he had one in his vehicle that the Converse Operator could test out. After the walkthrough, the Employee removed the pump from his IDEM-issued vehicle and gave it to the Converse operator. The Converse Operator told the OIG that he was not aware that the Employee had a financial interest in Starburst. The Converse WWTP purchased \$40,000 of equipment from Starburst.

The OIG investigation also found that the Employee recommended Starburst to the WWTP in Waterloo in June 2014. In an interview with the OIG, the Waterloo Operator stated that the WWTP had treatment problems that resulted in IDEM issuing violations. After attempting to solve these issues internally, the Waterloo Operator contacted the IDEM Operator Assistance program for further guidance and assistance with the issues. The Employee visited the Waterloo WWTP on June 24, 2014. The Waterloo Operator stated that while they were discussing the WWTP's issues, the Employee recommended various technologies that might be of assistance to the Operator. The Waterloo Operator told the OIG that while the Employee made these recommendations, the Employee also explained that he was affiliated with one of these

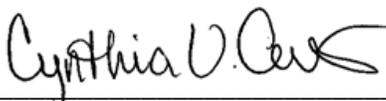
companies and planned to work there after he retired from IDEM. The Waterloo Operator told the OIG that he knew the Employee was giving him a sales pitch, and he did not purchase any equipment from Starburst.

The OIG's investigation also revealed that the Employee used both his state email and state vehicle to conduct business on behalf of Starburst. The OIG located numerous emails that the Employee sent and received from Starburst business partners and Starburst clients on his state email account. Moreover, the OIG interviewed various witnesses who stated that the Employee transported Starburst company brochures and equipment in his state vehicle.

The OIG filed an ethics complaint against the Employee alleging that: (1) he violated Ind. Code §4-2-6-9 when he participated in decisions in which he knew that he and/or his wife's company had a financial interest in the matter; specifically, he recommended Starburst products to the WWTPs he assisted as an IDEM employee; and (2) he violated 42 IAC 1-5-12 when he used his state-assigned vehicle and email account for Starburst business. The State Ethics Commission found probable cause to support the complaint. The Employee entered into an Agreed Settlement with the OIG in which he admitted to the facts as alleged in the OIG's complaint and agreed to pay a fine in the amount of \$2,500.00. The Indiana State Ethics Commission approved the Agreed Settlement on September 8, 2016. Accordingly, this investigation is closed.

Dated this 27th of September, 2016.

APPROVED BY:



Cynthia V. Carrasco, Inspector General